

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Wyland Analyst: Deborah Barrett Bill Number: SB 1314
Related Bills: See Legislative History Telephone: 845-4301 Amended Date: March 25, 2008
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Audit & Evaluation/Bureau of State Audits & Evaluations/State Agencies
Submit Report On Status Of Liquidated & Delinquent Accounts

SUMMARY

This bill would transfer certain audit and evaluation functions of the Department of Finance (DOF) to the renamed State Bureau of Audits and Evaluations (SBAE), including certain state agency reports currently sent to DOF.

Much of the bill's provisions relating to SBAE do not impact Franchise Tax Board (FTB) and are not discussed in this analysis.

SUMMARY OF AMENDMENTS

The March 25, 2008, amendments removed technical non substantive changes to the Government Code and added provisions transferring DOF responsibilities for certain audit and evaluation functions to SBAE. This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to begin achieving government reform by examining state agencies every five years to evaluate the efficiency and effectiveness of those agencies.

EFFECTIVE/OPERATIVE DATE

As specified by the bills own terms, this bill would be operative only if Senate Constitutional Amendment 7 of the 2007-08 Regular Session is approved by the voters and in that case would take effect on the day after the election in which the voters approve that measure.

POSITION

Pending.

Board Position:	Department Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING		
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ANALYSIS

STATE LAW

Under current state law, FTB is required to produce the following legislatively mandated reports on an annual basis:

- Annual Taxpayers' Bill of Rights Report.
- Audit and Collections Activities.
- Audit Protest Cases.
- Disabled Veteran Business Enterprise Statistics.
- Enterprise Zones.
- Request for Innocent Spouse Relief Report.
- Summary of Federal Income Tax Changes.

Under current state law, FTB is required to provide an annual report to DOF on the status of liquidated and delinquent accounts.

THIS BILL

Provisions of this bill related to SBAE assuming audit and evaluation functions currently under DOF do not impact this department and are not discussed in this analysis.

This bill would require SBAE to evaluate on a random basis, each state agency to identify any inefficiencies or failures in the program or the ability of the agency managers to administer the agency effectively. If SBAE determines an agency manager fails to use state resources efficiently and effectively or fails to ensure that the agency meets its goals, the State Auditor, working with the direct supervisor of the manager shall establish performance goals and identify appropriate actions to be taken to correct these failures within a reasonable and defined time. If the failures are not corrected or performance goals are not achieved, the State Auditor shall recommend to the Governor and the Legislature whether the manager should be removed or the program terminated or both. Agencies with budgets in excess of \$1 million would be evaluated at least once every five years. SBAE may require financial or statistical reports from any agency in the state within 60 days of request by SBAE, in the form prescribed by SBAE.

This bill would require each state agency identified in the bill to submit to SBAE, no later than October 31 of each year, a report that identifies and describes the status of liquidated and delinquent accounts and efforts made by the agency to collect these accounts during the previous fiscal year. The report is required to identify receivables that are valid and collectible. The term "valid" is defined as due and payable and there is no known disagreement about the amount of the claim at the time it was established. The term "collectible" is defined as due and payable and the collection has not been deferred by any other provision of law.

This bill would require the report to have a summary of the total of all the following information:

- Total number and aggregate dollar amount of liquidated and delinquent accounts.
- Total number and aggregate dollar amount of liquidated and delinquent accounts not included in the annual report for the immediately preceding fiscal year.
- Aggregate beginning and ending balance of all liquidated and delinquent accounts.
- Aggregate dollar amount paid on liquidated and delinquent accounts.
- Total amount and total number of liquidated and delinquent accounts that have been discharged from accountability.
- Total number of liquidated and delinquent accounts turned over to private collection agencies and the total amount collected by those agencies.

This bill would require the report to include a list of the liquidated and delinquent accounts that are in the following periods after the obligation was first due to a state agency:

- From 180 to 365 days
- From 366 to 545 days
- More than 545 days

This bill would require SBAE to submit a report on the status of liquidated and delinquent accounts of each state agency based on each state agency's report to the Legislature no later than February 28 of each fiscal year.

This bill would define "liquidated and delinquent accounts" as any loans, accounts receivable, fines, assessments, penalties, or other monetary obligation owed to a state agency and unpaid for 180 or more days after the obligation was first due to that state agency.

This bill would identify the following agencies that are required to provide a report to SBAE: State Board of Equalization, FTB, State Lands Commission, Department of General Services, Department of Motor Vehicles, Department of Real Estate, and the Department of Corporations. This bill would prohibit a state agency from contracting with a private non-governmental collection agency to prepare the annual report to SBAE required under this bill. This bill would require the agencies identified and SBAE to use existing resources to comply with the provisions of this bill only if sufficient resources are available for this purpose.

The report requirements identified in this bill would become inoperative on July 1, 2010, and repealed as of January 1, 2011, unless a later enacted statute that becomes operative on or before January 1, 2011, deletes or extends those dates.

IMPLEMENTATION CONSIDERATIONS

This bill would not impact department programs or operations because it only changes where the reports already required under existing law would be sent.

LEGISLATIVE HISTORY

SB 521 (Wyland, 2007/2008) would transfer certain audit and evaluation functions of the DOF to the SBAE, including certain state agency reports currently sent to DOF. Introduced in the first year of the Legislative Session, this bill has not yet been heard in committee.

AB 2591 (Keene, Stats. 2006, Ch. 506) requires certain state agencies, including FTB, to submit to DOF a report that identifies and describes the status of liquidated and delinquent accounts and efforts made by that agency to collect these accounts during the previous fiscal year.

FISCAL IMPACT

Department costs would be minor and absorbed by the department.

ECONOMIC IMPACT

This bill would not impact state income tax revenues

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